

The complaint

Mrs G complains about how U K Insurance Limited trading as Direct Line (Direct Line) dealt with a claim under her home insurance policy for damage caused by an escape of water.

References to Direct Line in this decision include their agents who provide services under the policy.

In bringing her complaint to this Service, Mrs G was supported by a representative. References to Mrs G include her representative.

What happened

The events in this case began in March 2022, when there was an escape of water at Mrs G's property. A timeline of events from then through to Direct Line's final response in October 2023 was included in that final response. So, it is not reproduced in detail here, rather a key summary of events.

There was an escape of water at Mrs G's property in March 2022 from the bathroom. Direct Line's home emergency supplier attended and fixed the leak. Mrs G made a claim for the damage. Direct Line provided a portal for Mrs G to upload pictures of the damage and provide estimates for repairing the damage.

Mrs G had problems obtaining estimates as well as clarifying what would be covered under the claim (such as matching/undamaged items). Mrs G eventually provided an estimate in March 2023 for a total of £13,196. Direct Line reviewed the estimate and produced their own scope of work and costed estimate (£6,953). The main difference was the respective labour rates in Mrs G's estimate and the rates used by Direct Line. Direct Line then appointed one of their contractors (IPC) to prepare a scope of work and, if agreed with Mrs G, carry out the repair work. Direct Line also appointed their Home Repair Network (HRN) to review the scope of work. IPC subsequently visited the property and produced a scope of works and estimated cost of £3,470 (June 2023).

Further discussion took place about the scope of work and what would be included in the bathroom reinstatement, leading to Mrs G requesting a cash settlement. Direct Line offered their previous estimated cost (£6,953) in July 2023. Mrs G was unhappy at the offer, being significantly less than the estimate she'd provided previously. Mrs G provided an updated contractor estimate £13,341 for material and labour and £1,085 for replacement carpet). Further discussions about the scope of work and what was included led to Direct line increasing their offer, initially to £7,621 and then a final offer of £8,600 (which included the £1,085 estimate for carpet and £7,765 for material and labour) in September 2023 (net of the policy excess of £250). Direct Line made an interim payment of this sum the same month.

Frustrated at the length of time the claim was taking and how Direct Line were handling the claim, Mrs G complained on several occasions during the claim process. Direct Line considered the complaints and awarded compensation in November 2022 (£150) and May 2023 (£250 and a then a further £250), a total of £650. Mrs G was also unhappy at the cash settlement offered, which she said was significantly less than the estimate from her

contractor, so raised a further complaint. Direct Line issued a further £300 compensation in September 2023, because of shortcomings in communication with Mrs G and failure to call back on several occasions. This made a total of £950.

Direct Line issued a final response in October 2023. As requested by Mrs G they set out a timeline of events from the initial claim for an escape of water in March 2022 through to Direct Line's final cash settlement in September 2023. Considering the timeline of events, They concluded the compensation previously awarded didn't fully address the upset and inconvenience suffered by Mrs G. In recognition of this, they made a further compensation award of £400 (making a total of £1,350).

Mrs G then complained to this Service (March 2024). She was unhappy at protracted delays from the incident in March 2022 through to October 2023, with no timely responses from Direct Line, being asked for the same information several times and callbacks promised but not made. The claim settlement offered by Direct Line was less than the cost of repairs, meaning she couldn't reinstate the damage with the sum offered. She had suffered stress from the delays and poor service from Direct Line. She wanted Direct Line to pay the £2,000 shortfall between their cash settlement offer and what it would cost her to repair the damage as well as compensation for distress and inconvenience.

Our investigator didn't uphold Mrs G's complaint, concluding Direct Line didn't need to take any action. While initial delays were due to Mrs G not providing evidence about the claim, Direct Line could have managed the claim more efficiently. It shouldn't have taken over a year to obtain estimates to repair the damage, so it was unclear why Direct Line didn't step in earlier to advise their contractors would attend the property to scope the repair work. Mrs G provided an estimate of £13,196 in March 2023, whereas Direct Line estimated their costs would be £6,953.

IPC was appointed but Mrs G asked the claim be cash settled. Further discussions about the scope led Direct Line to increase their cash settlement offer to £8,600 (net of the policy excess). Mrs G said this was £2,000 less than what she required for the repair work to be carried out. The difference was in labour rates, which Direct line were justified in validating. Overall, the investigator thought Direct Line's cash settlement offer was fair as was the compensation for service shortfalls.

Mrs G disagreed with the investigator's view and requested that an ombudsman review the complaint. She said they didn't want to source estimates for the repairs, Direct Line told them to do so and failed to arrange repairs as she'd requested at the outset. She'd had problems obtaining estimates because contractors they'd approached didn't want to be involved with Direct Line. The initial delays on the claim weren't attributable to her. Nor did she think Direct Line's claim notes reflected the conversations they'd had with Direct Line.

Mrs G also raised issues with the scope and costings used by IPC, which she said contained errors leading to an updated scope and cost. Because of these concerns, she'd asked for a cash settlement (rather than use IPC). Based on what she'd been told by contractors, she thought IPC's labour rates were unrealistic. So, she thought Direct Line should make a more realistic cash settlement offer.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here to decide whether Direct Line has acted fairly towards Mrs G.

The key issues in Mrs G's complaint are, firstly, the cash settlement offered by Direct Line to settle the claim. Mrs G says it's not enough for her to have the damage repaired, being some £2,000 less than what she says it would cost her to have the damage repaired through her own contractors. Direct Line say they've made a fair offer, based on what it would cost them to have the damage repaired.

The second key issue is the time taken to assess and settle the claim. Mrs G says there have been delays, a lack of communication and poor service from Direct Line. She doesn't think the compensation Direct Line awarded is sufficient for the stress and inconvenience she's suffered. Direct Line acknowledge their service has fallen short, awarding (in total) £1,350 across several complaints made by Mrs G in 2022 and 2023.

On the first issue, the cash settlement offered by Direct Line, I've looked at the sequence of events and also the policy terms and conditions. The latter include the following under a section headed *E. If you claim* and sub heading *How we settle claims*:

"If the buildings are damaged by any of the causes in [Section 1], we will either:

- *repair or rebuild the damaged part using our suppliers*
- *pay to repair or rebuild the damaged part using your suppliers*
- *make a cash payment*

If we can repair or rebuild the damaged part, but we agree to use your suppliers or make a cash payment, we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers."

What this makes clear is that the choice of settlement option rests with Direct Line, that is, they decide how to settle a claim. In this case, they initially asked Mrs G to provide estimates of repairing the damage. When the estimate was provided, Direct Line exercised their right to review and validate the estimate and used it as the basis for preparing their own scope of works and associated cost using the rates they could obtain from their suppliers. Similarly, IPC's estimate was prepared based on rates they could offer (or had contractually agreed) with Direct Line.

Given the volume of work insurers place with their preferred suppliers, it's common for them to be able to negotiate discounted rates that an individual consumer is unlikely to secure when obtaining their own estimate. This is reflected in the wording above, indicating a policyholder may receive a lower amount than the cost provided in their supplier estimate. From what I've seen, the key difference in the estimates provided by Mrs G's contractor and the estimates prepared by Direct Line (their contractors) is the labour rate – from the case notes the difference between Mrs G's contractor estimate and Direct Line's initial settlement offer was over £6,200.

Mrs G says IPC's rates are (according to her suppliers) unrealistic – but this isn't something I can consider, as the rates agreed by Direct Line and their contractors are a commercial decision between them and the contractors.

I've also noted one of the issues in the discussions between Mrs G and Direct line was whether the bathroom suite should be replaced in full, or just the damaged element (a cistern). There's some indication Direct Line referred Mrs G to sites that could provide matching items and also what element of settlement for undamaged items (of a suite) would be covered. The policy terms and conditions, in the same section referred to above includes the following statement:

“What we don’t pay for

x We won’t pay:

- *to alter or restore any undamaged part of the buildings*
- *to replace or alter any undamaged items solely because that are part of a set, suite, group or collection, unless they are part of a bathroom suite or fitted kitchen and the damaged parts can’t be restored or replaced.”*

From what I’ve seen there were discussions about the respective scopes of work and what was included, with Direct Line revising their scope to include a replacement suite (not just cistern) and decoration of the bathroom. This led to a revised settlement offer of £7,621 and subsequently their final offer of £8,600.. The revisions to Direct Line’s offer include things like replacement carpet, decoration and other amendments. It’s not unreasonable for there to be detailed discussions about estimates and scope of works to ensure consistency and comparability, which is what has happened here.

I’ve also noted it was Mrs G who requested a cash settlement, being unhappy at the prospect of IPC carrying out the repair work. While I recognise why she made this decision, it does mean Direct Line were able to apply the policy terms and conditions to calculate a settlement figure and it was likely to be less than the estimate from Mrs G’s contractor.

I also recognise Mrs G isn’t happy with Direct Line’s cash settlement offer, but based on the evidence and information I’ve seen, I don’t think it’s unreasonable and reflects the policy terms and conditions about how claims are settled, particularly those where a cash settlement is offered (being based on the cost to Direct Line). And it isn’t the role of this Service to assess a claim or determine a settlement figure, it’s to decide whether Direct Line have acted fairly and reasonably in line with the policy terms and conditions when making a cash settlement offer. Based on what I’ve seen, I’ve concluded they did.

On the second issue, it’s clear there have been communication issues as well as the time taken for Direct Line to assess the claim. There have been periods where little activity appears to have taken place. Direct line say these are due to awaiting information and estimates from Mrs G. Mrs G says contractors were reluctant to provide estimates because they weren’t willing to work with Direct Line.

Looking at the timeline of events, while there are indications Mrs G is struggling to obtain estimates (including trades people not turning up to assess the damage) I think Direct line could have been more pro-active in offering their own contractors to assess and carry out the repair work. This appears to have been offered only after a year or so from the original incident. However, it then appears issues over the scope of work, what would be included in the claim, then led to Mrs G not wishing the work to be carried out by Direct line’s contractor (IPC). So, she requested a cash settlement. respond to Mrs G’s complaint

I can also see evidence of Mrs G being unhappy at the communication from Direct Line, callbacks promised but not made. Direct Line acknowledge shortcomings in the service they’ve provided and have awarded a total of £1,350 in compensation from four separate complaints, up to and including their final response in October 2023.

I’ve considered this figure in the context of the specific circumstances of the case as well as the published guidelines from this Service on awards for distress and inconvenience. These provide for awards of over £750 and up to £1,500 where the impact of a business’s mistakes has caused substantial distress, upset and worry. There may have been serious disruption to daily life over a sustained period with the

impact felt over many months, sometimes over a year. Looking at the timeline of events and circumstances of the case, I've concluded these factors are relevant to what's happened to Mrs G, given the length of time the claim has been ongoing and the distress and inconvenience she's suffered.

So, I've concluded Direct Line's award of a total of £1,350 compensation for distress and inconvenience is fair and reasonable in the circumstances of the case, so I won't be asking them to make a further award.

Taking these conclusions together, I've concluded Direct Line haven't acted unfairly towards Mrs G, so I won't be asking them to take any further action.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 7 November 2024.

Paul King
Ombudsman